

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 22, 2010
POSITION: Oppose

BILL NUMBER: AB 2620
AUTHOR: M. Eng

BILL SUMMARY: Reimbursement for Capital Outlay Support Services

This bill would prohibit the reimbursement of indirect overhead costs when the Department of Transportation (Caltrans) performs capital outlay support (COS) services as defined for a public agency or private entity unless those costs can be attributed solely to the service performed.

FISCAL SUMMARY

Caltrans has indicated that by denying it the ability to recover all of its costs, the State Highway Account (SHA) would be the source of those costs, which would be \$70 million annually.

COMMENTS

The Department of Finance is opposed to this bill because inclusion of indirect costs is an appropriate and legitimate cost of providing any service and a standard part of any private or public sector billing. If entities believe Caltrans' billing rates are too high, those entities can pursue other options to receive the service. More importantly, this bill would result in \$70 million being used to subsidize these services instead of funding additional transportation projects.

Except for projects in the State Transportation Improvement Program, current law authorizes Caltrans to recover its direct and indirect costs for COS services. Finance annually reviews and approves an Indirect Cost Rate Proposal, which establishes a reasonable amount for the indirect overhead costs.

Code/Department Agency or Revenue Type		SO	(Fiscal Impact by Fiscal Year)							Fund Code	
		LA	(Dollars in Thousands)								
		CO	PROP								
		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013		
2660/Caltrans		SO	No	C	\$70,000	C	\$70,000	C	\$70,000	0042	
<u>Fund Code</u>	<u>Title</u>										
0042	Highway Account, State, STF										

Analyst/Principal (0752) J. Parks	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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